

**Steering Committee  
of the Imperial Valley Study Group  
Minutes of August 9, 2005 Meeting**

In attendance: Jonathan Woldemariam, Linda Brown, SDG&E; Juan Carlos Sandoval, Mark Etherton, Carrie Downey, IID; Vince Signorotti, CalEnergy; Jesse Ante, CPUC; Dave Olsen, CEERT/CEC. The meeting convened at 2:20 PM and adjourned at 5:05 PM. Minutes were recorded by Dave Olsen.

**Minutes** of the July 20, 2005 Steering Committee meeting were approved.

**ISO Representative:** Richard Cashdollar will represent the ISO on the Steering Committee. He is unable to travel and so will have to participate by phone (unless the Steering Committee were to meet occasionally at the ISO in Folsom).

**Phased Development:** We agreed that each Phase described in the IVSG Report should be designated as 1,000 MW, even though the likely geothermal development would be 645 MW (three new geothermal plants) per Phase. The report must explain that the routing and timing of the upgrades are dependent on who/where the geothermal/renewable energy is sold to. Either Alternative A (Path 42 to Devers) or Alternative B (Highline-El Centro-IV substation-SDG&E new 500 kV line) could be built first, depending on whether the first power sales are to the SCE market or the SDG&E market; they could also be built at the same time, given geothermal power sales sufficient to support that transmission. IID confirmed that it has the financial capability to build both Phase 1A and Phase 1B upgrades simultaneously.

The IVSG report should emphasize (e.g., in the Executive Summary) that the upgrades of the IID system necessary to export the power from the Imperial Valley use existing infrastructure and existing ROW (very little new ROW is required). This simplifies permitting and minimizes cost and development time.

The report must also emphasize that Phase 1 (Alternative B) depends on completion of the SDG&E 500 kV line.

**IVSG Report Chapter 6, Ownership and Operation Issues:** The 500 kV line will be built and owned by SDG&E, with the possibility of joint ownership/participation by IID. Under a joint ownership approach, to be explored among the parties, the ISO would operate the line but exempt IID from ISO charges on its share of the line.

IID will own, operate and maintain all upgraded facilities on its system.

We decided there was no need for a separate chapter of the report on these issues. Instead, a brief discussion of ownership and operation issues will be added into Chapter 2.

**IVSG Report Chapter 7, Tariff and Funding Issues:** The SDG&E 500 kV line, and any other upgrades of the ISO-controlled grid 230 kV and above go into the ISO ratebase and are paid for by all IOUs. This spreads the cost across the state. The project sponsor (SDG&E in

this case) funds 100% of the project up front and is then credited back through an ISO balancing account.

IID expects the generator(s) to front the cost of the upgrades of its system and then to be paid back in the form of transmission credits for use of those upgrades, per FERC Order 2003. IID ratepayers won't benefit from the sale of geothermal power to customers in other parts of the state/region. If IID pays to add 1,000 MW of transfer capacity to its system but renewable generators then develop, for example, only 200 MW of power plants, the District is then left with no way to recover the cost of the unused transmission capacity. The IID Board is unlikely to support any network upgrades of its system. Meanwhile, IOUs won't pay for upgrades of the IID system without assurance cost recovery from FERC.

Two potential problems with IID's contemplated generator-funding approach were pointed out: 1) having the generators pay for the IID upgrades exempts ISO ratepayers from paying for them. This puts the payment burden on one or a few companies, vs. spreading it broadly across millions of ratepayers; and 2) as a result, this approach would raise the cost of the geothermal/renewable energy and undermine the ability of the generator(s) to sell any power at all, thus threatening the entire development.

Chapter 7 should identify all tariff and funding issues that must be resolved before construction can begin. It should recommend the forum or process to be used to resolve such issues (e.g., through the IVSG or through bi-lateral negotiations), and a timeframe for doing so. Chapter 7 should also include a summary of SCE's Renewable Energy Trunk Line proposal, FERC's response, and the current status of and alternatives to such an approach.

**IVSG Report Chapter 8, Next Steps:** One of the next steps to be identified is application for a Phase 1 path rating study for any WECC-rated path in the development. These will include the SDG&E 500 kV line and possibly Path 42.

#### **Next Meetings/Key Dates:**

**August 24**, 10:30-3:30 PM, in-person meeting, at Sempra HQ auditorium #1 (101 Ash St., San Diego). This meeting is to decide on content of the IVSG report. On Aug. 22, we will receive a new recommendation from the Technical Work Group on development phases, one of the key issues we must decide how to characterize on Aug. 24.

**September 12:** Draft of the IVSG report circulated for comment (to STEP, SDG&E and IVSG lists).

**September 15**, 1:00-5:00 PM. Full Study Group meeting, to take comment on our draft report. Location: SANDAG, 401 B Street, 8<sup>th</sup> Floor, San Diego.